

VZCZCXRO2009  
RR RUEHGH RUEHPB  
DE RUEHSV #0274/01 1902133  
ZNY CCCCC ZZH  
R 082133Z JUL 08 ZDK  
FM AMEMBASSY SUVA  
TO RUEHC/SECSTATE WASHDC 0604  
INFO RUEHBJ/AMEMBASSY BEIJING 0336  
RUEHBY/AMEMBASSY CANBERRA 2060  
RUEHPB/AMEMBASSY PORT MORESBY 1568  
RUEHWL/AMEMBASSY WELLINGTON 0145  
RUEHNZ/AMCONSUL AUCKLAND 0665  
RUEHGZ/AMCONSUL GUANGZHOU 0030  
RUEHGH/AMCONSUL SHANGHAI  
RUEHDN/AMCONSUL SYDNEY 1073  
RHHMUNA/HQ USPACOM HONOLULU HI  
RUEHIN/AIT TAIPEI 0012  
RHHJJAA/JICPAC HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 03 SUVA 000274

SIPDIS

E.O. 12958: DECL: 07/09/2018

TAGS: [EAID](#) [PREL](#) [PGOV](#) [MARR](#) [FJ](#) [CH](#) [TW](#)

SUBJECT: PRC AID TO FIJI - SEPARATING FACT FROM FICTION

REF: A. 06 SUVA 156

[1](#)B. SUVA 143

[1](#)C. DIA WASHDC 132234Z JUNE

SUVA 00000274 001.7 OF 003

Classified By: CDA Ted Mann per 1.4 (B,D)

#### Summary

[1](#)1. (C) PRC aid to the Interim Government (IG) is set to increase sharply in the next few years as Fiji begins to tap into the US\$375 million soft loan package for the Pacific that PRC Premier Wen announced in Nadi two years ago. PRC Embassy officials insist, however, that reports of increased aid and deepening ties are greatly exaggerated. In fact, they tell us, inaction by the IG may be placing some assistance in jeopardy. Contacts at the Trade Mission of Taiwan in Suva believe that the PRC is providing far more assistance to Fiji than it admits in a bid to convince the IG to downgrade relations with Taiwan. Taiwan representatives also expressed concern that the PRC may set up a satellite tracking station in Fiji to replace the station that previously functioned in Kiribati. End summary.

#### PRC Denies Claims that Aid to Fiji is Accelerating

[1](#)2. (SBU) The PRC Embassy in Beijing energetically denied claims made in June by an Australian think-tank, the Lowy Institute, that PRC aid to Fiji had accelerated dramatically since the 2006 military coup or that China is helping to financially support the interim regime. According to a paper published by Lowy, "The Dragon Looks South," PRC grant and loan pledges to Fiji totaled USD 162 million in 2007, far above previous aid levels. The PRC Embassy press spokesman told reporters that China has not implemented any new aid programs and that no increased aid to Fiji is in the pipeline. All current programs, he said, are programs that China has highlighted to Fiji media in the past (i.e. programs begun well before 2007). The Embassy spokesperson did not give a figure for the amount of Chinese assistance provided to Fiji.

[1](#)3. (C) PRC Deputy Chief of Mission Fei Mingxing told emboffs June 23 that the author of the Lowy paper "is either incompetent or stupid." The paper, he said, is apparently based on newspaper reports from late 2007 that Fiji planned to ask for loans totaling USD 150 million from the USD 375 million soft loan package for the Pacific announced by

Chinese Premier Wen Jiabao in early 2006 (Ref A). It is true, said Fei, that Fiji has expressed interest in tapping into the soft loan package, which reportedly offers a 2% interest rate on RMB borrowings and a 20 year grace period. Fei insisted, however, that no loans have been finalized and that no "MOUs" have been signed (as the Lowy report alleged). In fact, he continued, it is not at all clear what projects Fiji wants to undertake under the loan package, or how big a loan it will ultimately ask for. (Comment: Fei's criticism of the Lowy report is misleading and probably unfair. In his FY 2008 budget speech, delivered last November, Interim Finance Minister Chaudhry thanked the PRC for "offering a concessional loan facility of around FJ 242 million" (about USD 160 million). "Negotiations are currently underway on the details of this loan with Exim Bank-China," he said, It may be that Chaudhry was jumping the gun, but his statement certainly appears authoritative. End comment.)

#### PRC Embassy Complains That Fiji Can't Get its Act Together

-----

14. (C) Fei explained that Fiji has mentioned four possible projects - for roads, low cost housing, water supply improvement, and improvements to the Suva port. Despite some recent visits to Fiji from Chinese officials to discuss the various projects, the Interim Government has not yet told the PRC which projects are its priorities or suggested desirable starting dates for construction. It may be, continued Fei, that Fiji will ultimately ask for funds for only three projects. Only after the PRC knows more clearly what projects Fiji wants funding for can it assess the viability of the proposals and begin feasibility studies. If the proposals are approved, said Fei, the earliest any project could start would be mid to late 2009. Fei noted that

SUVA 00000274 002 OF 003

several other countries in the region are interested in tapping into the soft loan package. If Fiji can't move faster, he said, it may receive less funding than it seeks. Fei said that Tonga and PNG are far ahead of Fiji in putting together their requests, and he understands that substantial funding to those countries has already been approved.

#### A Broader PRC Aid Strategy?

-----

15. (C) Fei insisted that China's aid policy in the Pacific is far more nuanced than critics like the author of the Lowy report acknowledge. In recent years, he said, China has worked hard to develop a comprehensive aid strategy for the Pacific, instead of the more "ad hoc" approach it took previously. The loan program announced by Premier Wen is a case in point - decisions on what projects to support will be based on developmental needs in the region and the priorities of the countries receiving the aid. Fei said China has learned from the development assistance approaches taken by Australia and New Zealand in the region and is now starting to apply similar strategies. Australia and New Zealand understand, said Fei, that China has no interest in undercutting them in the Pacific or in Fiji specifically. As evidence, he noted that neither of those countries has made any public statements expressing concern about Chinese aid to the region.

#### Taiwan Sees Less Praiseworthy Motives in Chinese Aid

-----

16. (C) Contacts at the Trade Mission of Taiwan insist that Chinese motives are far less altruistic than Fei and other PRC officials imply. Victor Chin, Senior Advisor at the Trade Mission, told us China has worked hard to convince Fiji to "downgrade" relations with Taiwan, with some success. Taiwan no longer gets invited to Ministry of Foreign Affairs briefings for the diplomatic corps; its agricultural assistance program in Fiji has not been formally renewed since a bilateral contract lapsed last year (Taiwan has kept the program going despite the absence of a contract); Fiji appears to have dropped its previous support of Taiwan

observer status at the World Health Organization. It is worth remembering, Chin continued, that one of the first steps taken by interim PM Bainimarama after the military coup was to reaffirm Fiji's commitment to a One-China policy (note: the statement Chin referred to was issued by then-Acting President Bainimarama on December 20, 2006). Finally, Chin noted the swift arrests by Fiji police took in April of a small group of demonstrators protesting Chinese actions in Tibet. This series of actions didn't happen by accident - Chin is sure the PRC is providing funds directly to members of the Interim Government. The Taiwan Mission, he said, has been asked repeatedly by officials in the Prime Minister's office to reinstate its pre-coup "grass roots" funding program in Fiji. While Taiwan has resisted these requests for cash, so far, Chin doubts the same can be said of the PRC.

#### Many Chinese Ships - A Satellite Tracking Station Next?

-----  
17. (C) Chin expects that the PRC will ask Fiji for more than a reaffirmation of the One-China policy in return for aid. Chin noted the great increase in the number of Chinese satellite tracking ships that have visited Suva in the last year. He wondered if a satellite tracking station, like the one the PRC operated in Kiribati until that country switched recognition to Taiwan, might be next. Chin said he has mentioned his concern about such a possible development to Fiji officials, but has never received a clear, unequivocal response.

#### Comment

-----  
18. (C) The rhetoric of PRC Embassy officials notwithstanding, PRC-Fiji relations appear to be deepening, though perhaps at a slower pace than interim government officials would like. We expect the PRC to continue to downplay the significance of its aid program to Fiji, focusing instead on broader pan-Pacific outreach. Aid flows are likely to increase sharply beginning next year, however, assuming Fiji commits to an RMB loan package relatively soon. PRC officials will also try to keep security and defense

SUVA 00000274 003 OF 003

contacts with Fiji well below the radar, as opposed to a more open approach elsewhere in the Pacific, as exemplified by the June visit of five PRC one and two star general officers to Tonga and the Chinese commitment to supply military equipment to that country (ref C).

.  
Mann